

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 SP-02 STR-07
TRSE-00 FRB-03 OMB-01 L-03 /074 W
-----002517 270602Z /17

R 270512Z MAR 78

FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 9619
INFO AMEMBASSY LISBON
USMISSION GENEVA

CONFIDENTIAL HONG KONG 3851

STATE FOR EB/TEX AND EA/PRCM

STATE PASS STR FOR MIKE SMITH

GENEVA FOR PHELAN

E.O. 11652: GDS
TAGS: ETRD, MC
SUBJ: TEXTILES: MACAU QUESTIONS

REF: A) STATE 61376, B) HONG KONG 2600

1. IN MARCH 24 CONVERSATION WITH CONGENOFF, MACAU'S ECONOMIC SERVICES DIRECTOR, DR. ARMANDO LOPES DE CAMPOS, RESIDED SEVERAL QUESTIONS CONCERNING THE US-MACAU BILATERAL TEXTILE AGREEMENT.

2. THE MOST IMPORTANT ISSUE INVOLVES PLACING GYM SHORTS IN CATEGORY 347 OR 348, RATHER THAN IN BASKET CATEGORY 359. AFTER RECEIVING NOTICE OF VSG RULING (REFTEL A), MACAU HAS BEGUN SHIPPING GYM SHORTS IN EITHER CATEGORY 347 OR 348; BUT BELIEVING THAT GYM SHORTS WOULD REMAIN IN BASKET, MACAU HAD, THROUGH MARCH 15, SHIPPED 25,000 DOZENS IN CATEGORY 359. WERE THESE SHIPMENTS NOW TO BE CHARGED AGAINST SPECIFIC LIMITS OF

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CATEGORIES 347 OR 348, THEY COULD EFFECTIVELY REMOVE BETWEEN ELEVEN AND TWENTY FIVE PERCENT OF MACAU'S 1978 DENIM JEANS QUOTA. CAMPOS HAS ASKED THAT THE GYM SHORTS SHIPPED IN CATEGORY 359 BEFORE MARCH 15 BE CHARGED AGAINST THE BASKET RATHER THAN AGAINST THE SPECIFIC LIMITS. CONGEN SUPPORTS MACAU IN THIS REQUEST SINCE MISUNDERSTANDING ABOUT PROPER CATEGORIZATION OF GYM SHORTS WAS SHARED BY US

DELEGATION DURING FEBRUARY CONSULTATIONS WTIH CAMPOS, AND BECUASE EFFECTIVE 25 PERCENT REDUCTION IN MACAU'S 1978 JEANS QUOTA WOULD SEVERELY CUT TERRITORY'S EXPORT EARNINGS.

3. CAMPOS REITERATED HIS REQUEST THAT WOOL GROUP CATEGORIES 445/446 SPECIFIC LIMITED BE RAISED TO 81,250 DOZENS (REFTEL B). CONGENOFF REMINDED CAMPOS OF FEBRUARY DISCUSSION OF WOOL GROUP LIMITS WITH US DELEGATION AND INDICATED THAT USG'S RAISING LIMITED ABOVE 57,1111124 DOZENS WAS MOST UNLIKELY. CAMPOS ACKNOWLEDGED SLIM POSSIBILITY BUT ASKED THAT HIS REQUEST BE PASSED TO WASHINGTON.

4. CAMPOS RAISED QUESTIONS OF COMPARABILITY OF US-MACAU AND US-HONG KONG BILATERAL AGREEMENTS. HE NOTED THAT IN US-HK AGREEMENT, CATEGORIES 333/334, 338/339, 347/348 AND 638/639 ARE FULLY MERGED; WHEREAS THESE EIGHT CATEGORIES REMAIN UNMERGED IN US-MACAU AGREEMENT, AS AMEMBZONCB CAMPOS FEELS THAT MERGER OF THE EIGHT CATEGORIES INTO FOUR PARIS, WITH APPROPRIATE SPECIFIC LIMITS FOR EACH OF THE ARIS, WOULD GIVE MACAU GREATER FLEXIBILITY IN UTILIZNG RESTRAINT LIMITS. HE ASKED THAT USG TEXTILE AUTHORITIES CONSIDER THIS PROPOSAL A REQUEST TO MERGE THE CATEGORIES AS DESCRIBED.

5. CONGEN WOULD APPRECIATE DEPARTMENT'S EARLY REPLY TO QUESTIONS RAISED PARAS 2 AND 3. WE REALIZE THAT EVALUATING MACAU'S REQUEST TO MERGE CATEGORIES CITED IN PARA 4 WILL

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TAKE MORE TIME AND SUGGEST THAT DEPARMTNET INCORPORATE USG RESPONSE INTO TEXT OF DIPLOMATIC NOTE FORMALLY AMENDING US-MACAU AGREEMENT.
SHOESMITH

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 mar 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978HONGK03851
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780132-0559
Format: TEL
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780323/aaaaaszc.tel
Line Count: 98
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 05c112bd-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 61376, 78 HONG KONG 2600
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3197505
Secure: OPEN
Status: NATIVE
Subject: TEXTILES: MACAU QUESTIONS
TAGS: ETRD, MC
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/05c112bd-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014